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SUBJECT: U.S. MINING MAJOR ON NEW TAX AND LEGAL REGIME IN
ZAMBIA

REF: A. LUSAKA 396

[1](#)B. LUSAKA 376

[1](#)C. LUSAKA 349

1.(SBU) Summary: Representatives of Freeport McMoRan/Phelps Dodge Mining Zambia (FM/PDMZ) said that the new tax and legal regime for mining projects introduced in early 2008 by the Government of Zambia "dampens...enthusiasm" for pursuing projects in Zambia, but would not cause the company to pull out of current prospecting activities. End summary.

[1](#)2. (SBU) Will Wilkinson, Vice President, Africa, Freeport McMoRan Copper & Gold, which as of 2007 owns Phelps Dodge Mining Zambia, and Dudley Barker, a consultant who represents the company in Zambia, told P/E Chief and Deputy Chief on April 17 that they agreed with the views of other mining firms operating in Zambia (Reftels). The way in which the new tax regime and mining development law were imposed -- unilaterally, without any industry consultation -- was troubling. At the same time, they noted that they appreciated the GRZ's interest in tapping more benefits from high copper prices for the people of Zambia.

[1](#)3. (SBU) Wilkinson commented that the new tax and legal rules "dampens our enthusiasm" for Zambia, which has had a business environment that until now had always compared favorably to that in the Democratic Republic of Congo. He stated that the new regime "raised the bar" for the pursuit of future copper mining projects, and changed the economics of a go or no-go decision--simply put, lower quality copper discoveries that are more costly to produce will not be developed.

4 . (SBU) Although it used to hold major interests in the Lumwana and Kansanshi Copper Mines in North Western Province, FM/PD is not active at present in copper mining or production. It has two prospecting licenses in the North Western Province, one in the remote area of Kapombo near the Angola border, and another northeast of Kansanshi Copper Mine (Refs) near the border with the DRC. FM/PDMZ also has a partnership with U.K. mining junior African Eagle Resources to prospect in an area near Ndola, on the traditional copperbelt.

[1](#)5. (SBU) Barker, a U.K.-born, long-time Zambian resident with extensive mining sector experience, voiced concerns about the long-term viability of copper mining in Zambia. Slumping copper prices could wreak havoc on the sector, he warned.

MARTINEZ